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Japan's Home Front

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WITH the Sino-Japanese war in its second year, two major aspects of Japan's internal polity have assumed increasing importance. Framed in terms of Japan's ability to continue the war, the following questions naturally arise. Does there exist political opposition within Japan, either active or potential, sufficiently strong to force cessation of the military campaign in China? Is Japan's economic position soon likely to become so vulnerable as to cripple its prosecution of the war? These questions are closely interrelated; neither may be answered without reference to the other. For purposes of analysis, however, they may be treated separately before stating conclusions which must in any case remain somewhat tentative.

The first question must be considered in the light of Japan's recent political evolution, which constitutes a sharply defined historical period. Reorganization of the Japanese Cabinet on May 26, 1938, following passage of the National Mobilization Bill by the Diet in March, climaxed a drive toward dictatorship in Japan which had progressed with but one major interruption since 1931. At the outset of this drive, parliamentary government had achieved its fullest expression in Japan. Complete democracy was still checked by a number of factors, such as the extensive powers of the House of Peers and the Privy Council, certain prerogatives of the Army and Navy, the influence of the court circle, and limitations on the powers of the House of Representatives.¹⁻² Nevertheless, from 1929 to 1931, a single-party Cabinet, supported by a large Minseito majority in the lower house of the Diet, held the reins of government and pursued relatively liberal policies in domestic and international affairs. Seven years later a military-fascist³ Cabinet, from which party representatives

as such were excluded, had begun to apply provisions of a law giving it virtually unlimited control over Japan's economic and political life.

POLITICAL CRISIS, 1931-1936

The assault on Japan's parliamentary institutions was carried out in two waves. A sharp initial attack, resulting in the rapid overthrow of two Cabinets, occurred between September 18, 1931 and May 15, 1932. A second and more decisive offensive has taken place since the assassinations which featured the military uprising in Tokyo on February 26, 1936. Between these periods, there was a marked recession in the military-fascist drive, during which the bourgeois-democratic elements were apparently retrieving their position.

While outwardly strong, the position of the Minseito Cabinet in the late summer of 1931 was already seriously undermined.⁴ Economic retrenchment, industrial rationalization, and restoration of the gold standard—conservative measures formulated by the Minseito government at the height of the boom in 1929—accentuated the crisis which gripped Japan in 1931 as a result of the world depression. During these two years, Japan's foreign trade was nearly halved and agricultural production had declined by more than one-third. These conditions were alienating the government's capitalist supporters, important sections of which were beginning to clamor for re-imposition of the gold ban and inflation. Widespread unemployment among the workers, intellectuals and lower middle classes, and the serious agricultural situation, were generating forces of popular unrest. Fertile ground

crisis by overthrowing parliamentary government, establishing a terroristic dictatorship, suppressing working-class organizations, and engaging in a chauvinistic program of military expansion. In Japan, owing to the special prominence of the army officers in this reactionary offensive, the term "military-fascist" is more descriptive and technically more accurate.

4. Cf. T. A. Bisson, "The Trend Toward Dictatorship in Japan," *Foreign Policy Reports*, February 13, 1935, pp. 319-22; "The Rise of Fascism in Japan," *ibid.*, pp. 198-99; also "Japan and Manchoukuo," *ibid.*, June 22, 1932, pp. 89-91.

1-2. For an excellent analysis of the undemocratic features of the Japanese Constitution, cf. Emil Lederer and Emy Lederer-Seidler, *Japan in Transition* (New Haven, Yale University Press, 1938), pp. 152-70.

3. In this report the terms "fascism" and "fascist" are applied to the efforts of the most reactionary elements of the ruling classes to defend their position against the threat of economic

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was thus provided for the propaganda unleashed by the military-fascist elements, smarting over their failure to prevent ratification of the London Naval Treaty of 1930. Taking full advantage of this strategic position, they attacked the "corrupt alliance" between the capitalists and the parties, inveighed against armaments reduction, excoriated the "weakness" of Foreign Minister Shidehara's "friendship policy" toward China, and demanded establishment of a "national socialist" state which would assume control of industry and finance, end the rural crisis, and crush the "Red menace."

This propaganda campaign was mainly directed by a new group of army officers, coming from families of small landowners, well-to-do farmers and the urban petty bourgeoisie, who were gradually breaking down the traditional monopoly of the higher army posts enjoyed by the Choshu clansmen. By 1930-1931 Generals Muto, Araki and Mazaki, the leading representatives of the military-fascist school, were already establishing their control over the Supreme War Council. In the lower ranks of the army, they were powerfully supported by the so-called "young colonel" movement, which included such men as Doihara, Ishihara and Itagaki. As unrivaled outlets for propaganda, they had at their disposal the Ex-Servicemen's Association, with some three million members, and a host of patriotic, terrorist, espionage, and strike-breaking societies. Some of these, such as the conservative *Kokuhonsha* (Society of the Foundations of the State), headed by Baron Hiranuma, included in their membership leading capitalists, government officials, and judges, as well as high military and naval officers. Jealous of their leadership monopoly, however, the extremist officers never encouraged the fusion of these diverse reactionary elements into one united movement.

In the effort to achieve their aims, the army extremists relied on direct action as well as propaganda. Throughout the era since 1930, they have constantly resorted to one or the other of two well-tried techniques: terrorism and coup d'état at home, and independent military action in China. In this respect, the shooting⁵⁻⁶ of Premier Hamaguchi in November 1930 heralded the approaching storm. A military conspiracy, discovered and crushed in March 1931, was hushed up by the authorities. With independent action by the army in Manchuria, taken on the night of September 18, 1931, the military-fascist movement was fairly launched on its career. Popular support was whipped up for the Manchurian campaign. Two more military conspiracies occurred in rapid suc-

cession.⁷ The position of the Minseito Cabinet soon became untenable, and on December 11 it fell.

The new Seiyukai Cabinet, headed by Tsuyoshi Inukai, immediately satisfied the business interests by reimposing the gold ban and devaluing the yen. General Sadao Araki, ideological leader of the army extremists, was made War Minister. On the other hand, Premier Inukai was a party man, and in the general election of February 20, 1932 the Seiyukai won a handsome majority in the Diet. The extremists were still confronted with a strong party government, which Araki was in no position to dominate. The terrorist campaign continued unabated. The *Ketsumeidan* (Blood Brotherhood League), which had marked a long list of capitalists and liberal statesmen for death, assassinated Baron Takuma Dan, managing director of the Mitsui interests, and Junnosuke Inouye, ex-Finance Minister in the Minseito Cabinet. On May 15, 1932 the climax was reached in a military coup d'état, aimed at seizure of the reins of government, which resulted in the death of Premier Inukai.

In the ensuing Cabinet, formed May 22, 1932, General Araki retained the War Ministry. More important, the military-fascist leaders also blocked the formation of a party government. The Premiership was given to Admiral Saito, a non-party man, and the party leaders secured only five portfolios. Prince Saionji, last of the Elder Statesmen, had for nearly a decade consistently supported the bourgeois-democratic trend toward responsible government. Utilizing his strategic power to nominate the Prime Minister, he had chosen party leaders to head the government in six successive Cabinets. He now abandoned this practice, and the Saito Cabinet represented a return to the earlier tradition of super-party government. While making this formal concession, Prince Saionji actually achieved certain practical gains. Admiral Viscount Saito, the new Premier, was a convinced moderate, with a high reputation as an administrator. The Finance Minister, Korekiyo Takahashi, was a conservative financier of prestige and ability, and also constituted a bulwark against the army extremists.

Over a period of nearly four years under this Cabinet and its successor, formed on the same basis with Admiral Okada as Premier in July 1934, the military-fascist advocates gradually lost ground in domestic politics. In China they moved steadily forward, organizing Manchoukuo on a "state socialist" basis under their control, seizing Jehol province in March 1933, invading North China two months later and forcing signature of the Tangku Truce—which threw the Peiping-Tientsin

5-6. He died eight months later from the effect of his wounds.

7. For details, cf. Kenneth W. Colegrove, *Militarism in Japan* (New York, World Peace Foundation, 1936), pp. 36, 55-56.

area open to Japanese penetration. The conservative capitalist elements in Japan, however, were not opposed to these steps. Noting the ease with which Manchuria had been seized, they quickly rallied to support of the army's initiative in aggressions on China. They were mainly concerned that the advance should not proceed too recklessly, or end in a "big war" for which adequate diplomatic and financial preparation had not been made.

On the home front, matters stood on quite a different basis. The capitalist groups struggled bitterly against the army's pretensions to a monopoly of political control. Throughout the period spanned by the Saito and Okada Cabinets, they clung tenaciously to the positions which they had won in the state apparatus as a result of the growth of capitalism in Japan during and after the World War. In so far as their domestic program was concerned, the army extremists at no time enjoyed the support of more than a small fringe of capitalist concerns during these years. As the period drew toward its close, it became clear that their influence was on the wane within Japan. General Araki had resigned from the War Ministry early in 1934; Finance Minister Takahashi, while permitting increases in the military-naval budgets, kept them within limits; in the Privy Council and the court circle, officials reflecting the bourgeois interest continued to hold all leading posts. Indeed, Baron Hiranuma, groomed by the military for a fascist Premier, was ostentatiously passed over in choosing a president of the Privy Council, although as vice-president he was entitled by precedent to the post.

Popular sentiment had also deserted the extremists and swung over to support of a moderate program. The general election of February 20, 1936 returned a large majority for the Minseito, the more liberal of the two major parties; while the Shakai Taishuto (Social Mass Party), which gained 18 seats in the House of Representatives, emerged as an important progressive bloc in the Diet. Slightly to the left of the Social Mass Party, the Tokyo proletarians or "legal leftists," headed by Kanju Kato, succeeded in electing three members to the House. With such a Diet, a swing back to party government became a logical possibility.

This optimistic picture was not without its darker shadings. Relatively light sentences had been meted out to the terrorist assassins; in the course of the trials, it was made evident that the army extremists were still able to stir up fanatical elements among the populace by their vicious harangues. During the so-called "Minobe controversy," the army leaders forced the Okada Cabinet to place a ban on the writings of this famous

liberal constitutional jurist. Ultimately, Okada was made to issue a government statement "clarifying the national polity," which rejected Dr. Minobe's interpretation of the Emperor as an "organ of the state" and laid down the principle that the Emperor comprehended the state within his godhead. This harking back to a reactionary feudal ideology was in itself significant; at the same time, the ideological shafts were aimed at a specific political target—Baron Kitokuro Ikki. This was the man who had been chosen instead of Hiranuma as president of the Privy Council; he shared and had in the past expressed the same liberal constitutional views as Dr. Minobe.

When General Araki resigned, his place at the War Ministry had been taken by General Hayashi. In the summer of 1935, the latter proceeded to carry out a "purge" by transferring extremist officers from key posts—starting with General Mazaki, Inspector-General of Military Education. On August 12, 1935 the army officer in charge of personnel shifts was assassinated by an underling. As a result of this affair, General Hayashi resigned and was replaced at the War Office by General Kawashima, who called a halt to the purge. Turning to China, the army extremists next sought to induce the Cabinet to acquiesce in a move to detach the five northern provinces from Chinese control. For a time Foreign Minister Hirota supported this five-province "autonomy" movement; in November 1935, however, when the opposition in China and abroad became serious, he adroitly disavowed Major-General Doihara⁸—an extremist officer who was handling the affair.⁹

Coming at this time of continued but indecisive political struggle, the results of the general election of February 20, 1936 shocked the military-fascist leaders into a realization that the tide had turned against them. Their response was the largest and most bloody coup d'état which Japan had yet witnessed.¹⁰⁻¹¹ On the early morning of February 26, some 1,400 soldiers and officers of four regiments revolted, occupied the mid-sections of Tokyo, and assassinated four officials: Admiral Saito, then Lord Keeper of the Privy Seal; Finance Minister Takahashi; General Watanabe, Inspector-General of Military Education; and Colonel Denzo Matsuo, who was mistakenly thought to be Premier Okada. Until February 29 the insurgents continued under arms in the heart of Tokyo; they were finally disarmed only after Imperial inter-

8. Now Lieutenant-General.

9. Cf. T. A. Bisson, *Japan in China* (New York, Macmillan, 1938), pp. 70-96.

10-11. For official version issued by the martial law headquarters, cf. *The Oriental Economist*, cited, March 1936, p. 136.

vention. While this insurrection failed to bring the extremists to power, it decisively altered the immediate political outlook and ushered in a new period of advance by the fascist movement.

THE FASCIST OFFENSIVE, 1936-1937

The military revolt forced a general realignment in both the civilian and military camps. On the side of the army leaders, the effect was obvious—a sudden and sharp diminution in the influence and authority of the extremist faction. A voluntary “purge,” in which the seven ranking generals on the Supreme War Council resigned, was carried through on March 7. Several of these officers were appointed at once to executive posts, but not Araki or Mazaki. The latter, indeed, was kept under detention for eighteen months. Most of the lower officers who had directly participated in the revolt were court-martialed and shot—a sharp contrast to the handling of the previous cases involving “patriotic” assassins. A new military group, headed by Generals Terauchi and Sugiyama, took over the army reins. These men suspended or transferred a considerable number of extremist officers, and in turn fastened the control of their own clique on the army.

On the other side, the bourgeois moderates and the court circle had at first been thrown into panic by the uprising. The party leaders were quiescent; even those of the Social Mass Party offered no comment on the revolt. The moderates had sustained severe losses in the deaths of Saito and Takahashi. Nevertheless, they partially rallied from the setback they had received. The first slate for the new Cabinet compiled by Premier-elect Hirota included the names of several liberal figures. To this list General Terauchi interposed strenuous objections, and when it became clear that he would refuse to take the War Ministry unless the objectionable nominees were eliminated, Hirota speedily acquiesced. General Terauchi also wrested from Hirota pledges on Cabinet policy, involving an assurance of much larger “defense” appropriations, a stronger foreign policy, heavy tax increases, and administrative “reform.” Having successfully escaped the worst consequences of the coup, the bourgeoisie and its adherents at court were content to accept these conditions. They were in no mood for a further collision with the army—chief pillar of the Japanese state régime.

New possibilities for a greater measure of cooperation between these leading representatives of Japan's ruling groups became apparent at this time. The army clique headed by Terauchi and Sugiyama occupied a somewhat different position

from the extremist faction. Eschewing terrorism and coup d'état, it sought to re-establish “discipline” in the army by purging the extremists. This policy naturally commended itself to the business groups. On the other hand, the new army leadership did not give up the essential aims of the military-fascist program. With much greater power in the Cabinet than the army extremists had exercised, the Terauchi-Sugiyama faction proceeded to work more circumspectly for the same fascist objectives, utilizing the catchwords of “renovation” and “reform.” The undertones in this program warned the capitalists that worse might come—that is, a repetition of February 26, 1936—unless they became willing to cooperate.

Basic changes that had gradually occurred in the Japanese economy since 1931 disposed the business groups to respond favorably. The growing armaments expenditure had markedly increased the proportionate share taken by heavy industry in Japan's industrial production. In 1931, out of a total industrial production of ¥5,178,130,000, the textile industries accounted for ¥1,926,800,000, or 37.2 per cent, while the metallic, machine and tool, and chemical industries took ¥1,745,990,000, or 33.7 per cent. By 1935 total industrial production had risen to ¥10,836,890,000. Of this amount, however, the same heavy industries took ¥5,158,140,000, or 47.2 per cent, while textiles took only ¥3,352,560,000, or 30.9 per cent.¹² In Japan's great banking-industrial-commercial houses, such as Mitsui and Mitsubishi, the leaders of the heavy industrial enterprises achieved a greater measure of influence. These men naturally tended to cooperate with the army program to a greater extent than the leaders of the light industries, which depended on export markets and an uninterrupted flow of international trade. The change was even clearer in the case of the Nissan interests, headed by Yoshisuke Aikawa, the heavy industries of which had mushroomed into a rival of the old-established houses during the armaments boom since 1931. Aikawa himself was close to the army leaders, and late in 1937 his concern was chosen by the Kwantung Army to take charge of industrial development in Manchoukuo.¹³

Expressed in political terms, this development meant that the balance of power in Japan was passing from the more moderate and conservative Osaka capitalists into the hands of industrial leaders whose future was bound up in war prep-

12. Statistics by Department of Commerce and Industry, quoted in *China Incident and Japan*, China Incident Series, No. 3, Tokyo, 1937.

13. For further details on Aikawa's illuminating rôle, cf. T. A. Bisson, “Aikawa Asks for Fifty Millions,” *Amerasia*, March 1938, pp. 3-10.

arations and aggressive expansion. Such men were much more inclined to work with the Terauchi-Sugiyama clique in a program of arms increases, heavy industrial expansion, a stronger foreign policy, and suppression of domestic political opposition. When the Hirota Cabinet embarked on this program in March 1936, the elements of a strong liberal opposition still existed. Deep suspicion of the army's motives was general among the people, whose mandate at the polls had been undone by the military uprising. The more moderate capitalist groups, centered in the Osaka light industries, looked askance at the new military-fascist program; their old connections with the two big parties, who were also under attack, brought the party leaders into the opposition camp. During the Hirota régime, this liberal opposition partially threw back the military-fascist offensive; under the Hayashi Ministry, however, the army-heavy industry coalition succeeded in launching its program, and the drive was carried to success during the term of the present Konoye Cabinet.

The full aims of the Hirota Cabinet did not become immediately apparent. During the spring of 1936, nevertheless, certain keynotes of its later campaign were struck. Eiichi Baba, the new Finance Minister, threw the stock market into a panic shortly after the Cabinet assumed office by a provocative statement on economic policy, forecasting heavy increases in arms expenditure, taxes, and deficit loans.¹⁴ Under cover of martial law, which was prolonged until July, the authorities made strong efforts to curb the growth of bitter popular sentiment against the army. Several reactionary bills, which indirectly sought to gag the opposition, were introduced under army inspiration at the special Diet session in May, but were greeted with an intense hostility.¹⁵ Since this session confined itself to making but minor changes in the last budget framed by Takahashi, the new principles advocated by Finance Minister Baba did not yet receive practical application.

Vague rumors regarding proposed Diet and administrative "reforms," favored by the army in an effort to emasculate parliamentary government, added to the uneasiness of the party leaders during this special session of the Diet. Late in October, as the result of a "leak" in the War Department, the press reported that the army was drafting a series of drastic "reform" proposals. As outlined in the press, the scheme involved organization of an "inner" Cabinet, denial of the right of the parties

to form a government, annulment of the Diet's right to vote a motion of non-confidence, and restriction of the franchise to the head of a family or ex-servicemen.¹⁶ A storm of protest developed. General Terauchi, appearing before a special committee of Diet and Cabinet members, denied the authenticity of the news reports but admitted that an individual in the military affairs bureau of the War Office had been punished for his indiscreet revelations. He claimed that the army was not "bent upon a revision of the Constitution or abolition of the Diet," although it was opposed to Western parliamentary conceptions and wished constitutional government "based on a Constitution which is all our own" to develop.¹⁷ The War Minister had covered his retreat.¹⁸

Attempts by the Hirota Cabinet to carry out a "strong" foreign policy fared little better. Lengthy negotiations at Nanking, following presentation of far-reaching Japanese demands by Ambassador Kawagoe in September 1936, witnessed a firm defense by the Chinese Foreign Minister, General Chang Chun. In December, after an abortive invasion of Suiyuan province by Japanese-supported Mongol and Chinese irregulars, Chang Chun broke off the negotiations; eventually Japan secured merely legitimate reparation for its nationals, whose murders had been the pretext for political demands.¹⁹ Of more permanent influence was the signature at Berlin on November 25, 1936 of the German-Japanese "anti-Comintern" pact, which openly aligned Japan with the Fascist bloc in world politics. At home the popular reaction was distinctly hostile, and the Privy Council sharply questioned the Foreign Minister on this issue,²⁰ especially after the Soviet Union proceeded to withhold ratification of a three-year fisheries pact, favorable to Japanese interests, which had long been under negotiation. Nevertheless, the pact stood, and it constitutes one of the few positive achievements of the Hirota Cabinet. Italy has since adhered, and the three signatories have mutually recognized their respective conquests in Manchuria, Ethiopia and Spain.

A third issue, affecting the Baba budget and eco-

16. *The Japan Advertiser*, October 30, 1936.

17. For text, cf. *The Oriental Economist*, December 1936, p. 751.

18. In Japan, it may be noted, the fact that the Constitution of 1889 was granted by the Emperor imparts to it a sacredness which places serious obstacles in the path of efforts to abolish it. The military-fascist elements in Japan have never made a frontal attack on their Constitution, such as the German Nazis carried on against the Weimar Constitution; instead, they have sought to nullify it by indirect methods.

19. For details, cf. *Japan in China*, cited, pp. 143-52, 231-32.

20. For summary of the Privy Council's examination, cf. *The Trans-Pacific*, December 17, 1936, p. 14.

14. *The Oriental Economist*, cited, April 1936, pp. 212-13.

15. For summary of a fiery opposition speech by Mr. Takao Saito, Minseito member of the Diet, cf. *The Trans-Pacific*, Tokyo, May 14, 1936, pp. 10-11.

conomic policy, led even more decisively toward overthrow of the government. The new Finance Minister's budgetary proposals were made public in the fall of 1936. On the expenditure side, the estimates added 763 million yen to Takahashi's last budget, and reached the unprecedented total of 3,041 million yen.²¹ Combined military-naval estimates, amounting to nearly half the budget,²² were increased by 349 million. More disturbing to the capitalist interests, Finance Minister Baba abandoned Takahashi's long-standing policy of refusing to make tax increases. Certain of the new tax proposals bore directly on the business and financial community, although tariff increases, institution of a national sales tax, and reduction of the income-tax exemption limit from 1,200 to 1,000 yen seriously affected the mass of the people.²³ A subsidy to the agrarian community of 220 million yen, designed to lighten the burden of local taxation, was also included in the Baba scheme. Despite the tax increases, the budget still showed a deficit of 806 million yen. The economic barometer reacted strongly to this "war" budget. At the turn of the year a sharp rise of prices set in, the yen showed signs of weakness, and a flight of capital involving speculative imports developed.

Utilizing the ammunition afforded by the Cabinet's unfortunate essays in parliamentary "reform," foreign policy and budgetary revision, the opposition launched an attack on the Hirota régime which accomplished its downfall on January 23, two days after the Diet had reconvened. The fascist tendencies of the government and the army were openly assailed on the floor of the Diet, especially in the speech by Mr. Kunitatsu Hamada, a Seiyukai deputy.²⁴ In this opening skirmish General Terauchi, the War Minister, sought to have the Diet dissolved, but instead the government resigned. When General Ugaki was chosen for Prime Minister, however, the Terauchi-Sugiyama clique bitterly opposed him as a representative of the "status quo" interests. During five days of intense political crisis, this clique stubbornly blocked appointment of a War Minister to the Ugaki Cabinet. In the end, despite wide public support, General Ugaki was forced to give up his efforts to form a Cabinet, and the task was assumed by General Hayashi. No party members were permitted to enter the Hayashi Cabinet, formed on February 2, 1937. General Sugiyama,

after a brief interval, became War Minister, while General Terauchi took the former's post as Inspector-General of Military Education; thus, they still retained the controlling posts in the army. Toyotaro Yuki, the new Finance Minister, represented an even more significant political omen. In his earlier career, he had been associated with moderate financial leaders; more recently, he had drawn closer to the army and expressed support of its slogan of "productive expansion." His appointment of Seihin Ikeda, former manager of the Mitsui interests, as Governor of the Bank of Japan, was equally symptomatic. Ikeda, a member of the nationalist *Kokuhonsha*, also favored arms and industrial expansion. The practical abilities of these two men, however, were reassuring to the more conservative capitalist groups. They were uniquely fitted to harmonize capitalist interests and unite them behind the army program, and thus summed up in themselves the new political course which Japanese industry and finance were charting.

Yuki's clever revision of the budget inherited from Baba quickly restored business "confidence." Under his hands budgetary expenditure was slashed by some 224 million yen—a sum derived entirely from cuts in the civilian Ministries and the projected subsidy to the agrarian community. Yuki made no reduction in the army-navy estimates—an omission readily accepted by the capitalist interests when several of the Baba tax proposals to which they specially objected were eliminated. The amended budget passed the Diet with little difficulty; with this accomplished, Premier Hayashi suddenly dissolved the lower house on March 31 and called for a general election. The move proved to be a first-class political blunder. Even the more reactionary party leaders, who had meekly swallowed the insult of exclusion from the Cabinet, were forced into opposition. A partial united front was formed by the two major parties, and in the general election of April 30, 1937 they returned 354 members out of a total of 466 seats. The Social Mass Party increased its numbers from 18 to 36, while minor reactionary groups declined. The Hayashi Cabinet had campaigned on a platform of "repletion of national defense" and establishment of a "semi-wartime economy." These aims were openly supported by Yuki and Ikeda; General Sugiyama, the War Minister, defined the objective on April 8 in a classic statement: "The myriad affairs of the state must be made to harmonize with the keynote of full armament."²⁵ The Japanese people had again registered their opposition to the military-fascist program at the

21. *The Oriental Economist*, December 1936, pp. 749-50.

22. Well over half the budget, if the new agrarian subsidy of 220 million yen be eliminated.

23. For details, cf. *The Oriental Economist*, November 1936, pp. 690-92.

24. For text, cf. *The Japan Advertiser*, January 22, 1937.

25. *Ibid.*, April 9, 1937.

polls. Once again, however, their mandate was overturned—not so rapidly as in February 1936, but still within the short period of two months.

JAPAN'S WARTIME POLITICS

Several underlying factors were responsible for the ease with which the results of the election were undone. Despite formal political defeat, the Hayashi Ministry had steadily carried through the military-fascist program during its term of office. Passage of the Baba-Yuki budget, with its increased arms expenditure, accelerated the rapid expansion of heavy industry which was occurring at this time. Capital investment in the mining, metallurgical and chemical industries was assuming unprecedented proportions—a factor which contributed to the heavy excess of imports and the resort to gold shipments during the early months of 1937.²⁶ The army and heavy industry were cementing their coalition, and thus breaking down the virtually solid wall of capitalist opposition that had existed during Takahashi's reign at the Finance Ministry. In the big parties, the more important leaders went along with this tendency; during the election campaign, they strove to mitigate popular hostility to the army. The liberal minority in the big parties was given merely adventitious strength by Hayashi's political blundering. Reactionary elements existed even in the leadership of the Social Mass Party, which was by no means a homogeneous anti-fascist entity. Finally, the trade union movement was small and weakened by disunity, exemplified in refusal of the Social Mass Party to join forces with the "legal leftists," headed by Kanju Kato. These factors made it impossible for the opposition elements to capitalize on their popular support and the election victory. Premier Hayashi retained office for a month after his defeat; even during this period, he managed to set up a Cabinet Planning Board which has since become the economic general staff of the army.

Recognizing Hayashi's political error, the reactionaries planned during May to establish a "national union" Cabinet in an effort to lessen the antagonism between the people and the ruling classes. The party leaders came out in favor of this maneuver; behind the scenes, the army leaders also supported it.²⁷ These hopes were realized in the Konoye Cabinet, formed on June 3, 1937. Two party leaders, Nagai and Nakajima, were given minor posts in the Cabinet.²⁸ A solid reactionary

bloc, however, held all the main portfolios: General Sugiyama, the War Ministry; Koki Hirota, the Foreign Office; Eiichi Baba, the Home Office; and Kaya and Yoshino, two "new bureaucrats" under army influence, the Ministries of Finance and Commerce and Industry respectively. Five weeks later, the Lukouchiao incident broke out near Peiping. The exigencies of war swept aside the liberal opposition and speeded up the drive to put the military-fascist program into effect.

The army extremists, who had been under a cloud since February 26, 1936, almost immediately reasserted themselves. In September 1937 General Mazaki, long suspected of being the prime mover behind the February 26 revolt, was officially exonerated. When the Cabinet Advisory Council was established in October, both General Araki and Admiral Suetsugu—outstanding extremists—appeared on its roster. Although they were balanced by the more moderate figures of General Ugaki and Admiral Abo, the fact that members of the Council were thought likely to enter the Cabinet made their inclusion significant. Establishment of the Imperial Headquarters in November centralized the conduct of the war in the hands of the military-naval leaders, acting under direct authority of the Emperor. On December 14 Admiral Suetsugu replaced Dr. Baba at the Home Office, and immediately instituted a round-up of persons suspected of radical or liberal tendencies. Among the 371 arrests were included several university professors, Baroness Ishimoto, and Kanju Kato—a Diet member and leader of a proletarian party and trade union council which were summarily dissolved.²⁹ These events were preliminary to the more decisive military-fascist drive toward power during the first six months of 1938.

Three major issues dominated the Diet session in February and March; despite opposition, all three were settled in favor of the government. By March 12 the huge budgetary and war appropriations, aggregating 8,365 million yen, had passed both houses.³⁰ Greater difficulty was encountered in the effort to push through four laws nationalizing the electric power industry—an issue originally pressed without success by the Hirota Cabinet. On March 26, after the session had been extended one day, this set of laws was finally approved, although not without amendments which protected the private power interests.³¹ The most important

26. In the January-June period, capital increases for plant expansion alone amounted to 656 million yen, contrasted with 394 million yen for the full year of 1936 and only 176 million in 1935. *The Oriental Economist*, August 1936, p. 455.

27. *The Japan Advertiser*, June 1, 1937.

28. On the understanding that they did not represent their parties. Cf. *The Oriental Economist*, June 1937, p. 326.

29. *Christian Science Monitor*, January 24, 1938.

30. For detailed treatment, cf. pp. 141-42.

31. Cf. Mitsu Kohno, "The Nation Mobilizes," *Contemporary Japan*, Tokyo, June 1938, pp. 82-92. Losses sustained by private power enterprises are to be made good by the government.

struggle, however, was waged over the National Mobilization Bill, a comprehensive statute of fifty articles drafted by the Cabinet Planning Board, in which the army's voice was dominant. This measure vested in the government virtually unlimited control of social and economic life, including industry, finance, trade, transportation, labor, the press, and organizations.³² With respect to labor, the bill provided for conscription of workers, prohibited strikes and lockouts, and empowered the government to fix wages, hours and working conditions. It also provided that matters not specifically mentioned could be dealt with by Imperial Ordinance—a direct threat to the legislative competence of the Diet.

Pronounced opposition, which developed in the Diet, managed to delay but not to prevent approval of this sweepingly dictatorial measure. In the course of the struggle, members of the Diet were subjected to terroristic attacks, and a gang of 400 hired ruffians forcibly occupied the headquarters of the Minseito and Seiyukai parties at Tokyo. This latter issue was carried to the floor of the Diet, where the party leaders demanded guarantees from Admiral Suetsugu, the Home Minister, against recurrence of such incidents.³³ Before approving the National Mobilization Bill, the parties wrested several concessions from the government. They elicited a pledge from Premier Konoye that the measure could only be applied during a war-time emergency and would not be invoked in the Sino-Japanese conflict; the government also agreed to appoint a majority of Diet members to the National Mobilization Council, which would be consulted when Imperial Ordinances were issued under provisions of the Bill. Behind this struggle stood the group of industrialists whose interests were being seriously jeopardized by the government's emphasis on "war" industries. The outcome indicated the extent to which their political influence had declined.

Early in April—following the defeat at Taierh-chuang—a Ministerial crisis developed, with Premier Konoye apparently resisting the army's demand for application of the National Mobilization Act.³⁴ On May 5, despite Konoye's pledge to the Diet, the main provisions of the Act were put into effect.³⁵ Three weeks later the Cabinet was thoroughly reorganized. On May 26 General Ugaki assumed the Ministries of Foreign and Overseas Affairs, General Araki became Education

Minister, and Mr. Seihin Ikeda took over the Ministries of Finance and Commerce and Industry; on June 3 General Itagaki replaced Sugiyama as War Minister. In this reconstructed Cabinet, military or naval officers held six portfolios: War, Navy, Foreign, Home, Overseas, and Education. Four portfolios were concentrated in the hands of two men—Ugaki and Ikeda. The latter, collaborator with Yuki in launching the program of "productive expansion" in 1937, held the two economic Ministries. His reappearance at this time of crisis demonstrated the close working cooperation that existed between the decisive sections of "big business" and the more militant army leaders. With Araki and Itagaki in key posts, the army extremists were strongly entrenched in the new Cabinet. Against them was set General Ugaki, slated to succeed Konoye as Prime Minister and generally viewed as a moderate by his past record and affiliations.

The central protagonists in the political struggle which had gripped Japan since 1931 were thus clearly represented in the new Cabinet. In platform and policy this government, as it reinvigorated prosecution of the war and applied the National Mobilization Act, was functioning along lines marked out by the military-fascist movement. Definitive control of the Cabinet and other state offices, however, was still denied to the army extremists.

JAPAN'S WARTIME FINANCES

Confronted with a war emergency, the Japanese ruling groups—despite the persistence of a serious inner conflict—have managed to patch up a working basis of cooperation. This platform has moved steadily toward more complete and effective regimentation in both the economic and political spheres. It has curbed opposition, suppressed the stirrings of unrest, and prevented emergence of overt popular revolt against the war. The ultimate result, however, is conditioned by the increasing financial-economic crisis. On the economic front, Japan is faced with two closely interrelated problems: the swollen war budgets, and the trade and exchange position of the Empire.

The two latest Japanese budgets, covering the fiscal years³⁶ 1937-1938 and 1938-1939, have included staggering appropriations and loan authorizations. The following table, which includes the various regular and supplementary estimates approved by four successive Diets³⁷ during the past eighteen months, shows a consolidated balance sheet of these figures:

32. *New York Herald Tribune*, March 25, 1938.

33. *New York Times*, February 21-22, 1938.

34. *Ibid.*, April 17, 1938.

35. For text of articles invoked, cf. *New York Herald Tribune*, May 4, 1938.

36. April 1 to March 31.

37. The 70th, 71st, 72nd and 73rd Diets.

EXPENDITURES AND LOANS APPROVED BY DIET, 1937-39*

(in millions of yen)

	Appropriations	Loan Estimates	Loans Issued	Carried Over
1937-1938				
Regular budget	2,982	968†	730	238
War budget	2,551	2,423	1,500	923
Total	5,533	3,391	2,230	1,161
	Appropriations	Loan Estimates	Loans Issued by June 15, 1938	
1938-1939				
Regular budget	3,515	1,170†	
War budget	4,850	4,453	900	
Total	8,365	5,623	900	

*Sources: *The Oriental Economist*, cited, *passim* and supplement "Trade and Industry in 1937-38"; also *Monthly Circular* (Tokyo, Mitsubishi Economic Research Bureau), April 1938, pp. 7-9.

†Includes loans for the "special account" budget consisting largely of self-balancing items but which is now running a deficit. Figures for this budget are not included in the table.

The abnormal size of these figures becomes evident when it is recalled that the 1936-1937 budget, the last drawn up by Takahashi, carried total appropriations of only ¥2,278 million and deficit loan estimates of ¥704 million. On the other hand, actual expenditures for the 1937-1938 year ran well under the budgetary appropriations—a fact which is reflected in a carry-over of ¥1,161 million of loan authorizations on March 31, 1938. When this amount is added to the current year's loan estimates, the authorized loans for 1938-1939 reach the huge total of ¥6,784 million. It is obvious, however, that expenditures were mounting rapidly during the spring of 1938. By June 15, i.e., after only two and a half months of the current fiscal year had elapsed, ¥900 million or nearly one-seventh of the total loan authorizations had already been floated. These flotations, moreover, did not include any of the deficit loans required to balance the regular budget, which will have to be issued.

Although the government bond issues were apparently being smoothly absorbed, a moderate degree of currency inflation had forced the Diet to raise the fiduciary issue limit from ¥1,000 million to ¥1,700 million.³⁸ During the first half of 1938 the Bank of Japan's note circulation averaged ¥373 million above the same period of 1937.³⁹ Prices were rising rapidly—at a time when world prices in general were falling. Between May 1937 and May 1938, the wholesale price index had risen from 218.5 to 248.4, the retail price index from 172 to 198, and the cost of living index from 192 to 205.⁴⁰

38. *The Oriental Economist*, April 1938, p. 212.

39. *The Japan Weekly Chronicle*, July 7, 1938, Commercial Supplement, p. 8.

40. *The Oriental Economist*, June 1938, p. 385.

These sharp increases, moreover, had followed upon a long period of rising prices since 1931. The Japanese people were paying for the war in higher living costs.

Several other results of Japan's internal financing were disquieting. Government bond issues of ¥2,230 million in 1937-1938 had raised the public debt by April 1938 to ¥13,021 million,⁴¹ a sum approximately equal to Japan's total national income. The burden of servicing this debt was growing more onerous. Since early 1937 the Diet had approved three successive revisions of the taxation system which had boosted taxes by roughly ¥640 million, until the ordinary revenue totaled ¥2,202 million in the 1938-1939 budget estimates.⁴² Calculated on the actual revenue of ¥1,562 accruing from Takahashi's last budget, this meant that Japanese taxpayers had shouldered a 40 per cent increase within a single year.

The deficit financing by which Japan has sought to meet the excessive demands for war expenditure has thus created serious difficulties. Much more acute problems have been raised by Japan's trade and exchange position. For 1937 the merchandise trade of the Empire showed an excess of imports of ¥636 million⁴³—a deficit exceeded only once before in Japan's history, in 1924. Even more striking, the service items of Japan's balance of payments showed an estimated deficit of ¥262.5 million⁴⁴—the first such deficit since 1915. These adverse balances were covered by shipments of gold (¥869.7 million) and silver (¥28.8 million), totaling ¥898.5 million.⁴⁵ The fact that Japan relied solely on specie payments to balance its international accounts was significant in another respect: its readily available foreign security or other liquid assets had apparently been exhausted prior to 1937.

During the first half of 1938, Japan's trade and exchange position became steadily more acute. Imports from January through June aggregated ¥1,484 million, while exports totaled ¥1,288 million.⁴⁶ The excess of imports thus amounted to only ¥196 million, as against ¥641 million during the corresponding period of 1937. To achieve this result, however, Japan had reduced its imports by ¥760 million, reflecting the strict economy im-

41. *Ibid.*, p. 383.

42. *Monthly Circular*, Mitsubishi Economic Research Bureau, cited, April 1938, p. 7.

43. *Monthly Return of the Foreign Trade of Japan* (Tokyo, The Department of Finance), December 1937, p. 3.

44. *Japan's Ability to Finance Purchase of War Materials* (The Chinese Council for Economic Research, Washington, D.C., May 1938), Part II, pp. 8-10.

45. *Ibid.*, pp. 8, 11.

46. *Monthly Return of the Foreign Trade of Japan*, cited, June 1938, p. 3.

posed at a time when the demand for war materials was exigent. Japan's exports, moreover, had shrunk by ¥314 million, or approximately 20 per cent—the first significant decline in Japanese export trade since 1931. Gold shipments continued during this period in amounts well in excess of the ¥196 million trade deficit. By July 19 Japan had shipped gold valued at \$84,300,000, or ¥294 million, to the United States.⁴⁷ The fact that Japan's free gold reserves had been exhausted was made clear on the same day, when the Japanese Cabinet authorized creation of a "foreign exchange revolving fund" to finance purchase of raw materials, chiefly cotton, for the export industries.⁴⁸ To this end, it proposed to send abroad ¥300 million of the Bank of Japan's statutory gold reserve, which was thereby reduced to ¥500 million. Neither the efforts to stimulate the Empire's gold production nor to induce the Japanese people to "donate" ornaments and precious metals to the government, it thus became evident, had prevented resort to the last gold reserves which backed Japan's currency issue.

In order to cope with the increasing gravity of the foreign exchange problem, the Japanese authorities had meanwhile developed an extensive and drastic "economic control" program. The first important step in this direction was taken on January 8, 1937, when the Finance Ministry licensed foreign exchange contracts for financing imports valued at ¥30,000 or over, later reduced to ¥1,000.⁴⁹ Under the Capital Control Law, enacted by the 72nd Diet, licensing regulations which became effective on September 27, 1937 gave absolute priority in capital investment to a list of "urgent" industries having relation to military needs.⁵⁰ The Foreign Trade Control Law, also applied at this time, empowered the government to restrict or prohibit the import or export of a classified list of nearly 300 commodities.⁵¹ This law was soon elaborated by detailed regulations affecting such important items as raw cotton. Domestic consumption was also regulated by laws affecting many aspects of life, including such matters as restriction of gasoline consumption and the requirement that staple fiber be mixed with cotton goods retailed within Japan.

By the middle of 1938 it had become necessary to extend the "control" features of Japan's wartime economy to much greater lengths. On June 23

the Cabinet adopted the principles of a comprehensive "national materials mobilization" program, designed to economize domestic consumption, check the rise in prices, encourage savings, and increase exports.⁵² This program, in drafting which Finance Minister Ikeda had played a leading rôle, was speedily applied. On June 29 the Ministry of Commerce and Industry prohibited further manufacture for domestic consumption of a long list of cotton textile and iron products.⁵³ A near-panic developed among retailers, as they fought to buy up every available bolt of finished cloth; and consumers crowded the department stores.⁵⁴ A similar ban is gradually being applied to other articles. The strictness with which these prohibitions will be enforced may be gathered from the fact that the Ministers of Finance and Public Welfare met on June 24 to consider measures for the relief of from 700,000 to 800,000 persons who were expected to be thrown out of employment.⁵⁵ Finally, on June 29, a comprehensive effort to control prices was inaugurated, with detailed schedules of standard prices fixed by prefectural price commissions working in conjunction with the Central Price Committee.⁵⁶ In most cases, these mandatory prices ranged from 10 to 20 per cent below current market prices. On July 7 it was revealed that the Home Ministry was engaging 3,800 "economic police" officers, who would be stationed in prefectural police offices to enforce observance of the mandatory price lists and other features of the new control program.⁵⁷

Japan's acute foreign exchange problem would be quickly solved if sufficiently large credits or loans could be secured abroad, but efforts along this line have thus far proved fruitless. Germany and Italy, partners of Japan in the "anti-Comintern" entente, are equally deficient in foreign exchange resources. The tripartite trade agreements, signed by these two powers with Japan and Manchoukuo, have afforded but slight help to Japan in the purchase of war materials. Such purchases have been made chiefly from the great democratic pow-

47. *New York Times*, July 19, 1938. By early August this amount had risen to \$107,700,000. *Ibid.*, August 9, 1938.

48. *Ibid.*, July 20, 1938.

49. For details, cf. *The Oriental Economist*, October 1937, pp. 574-76.

50. *Ibid.*, August 1937, pp. 454-55; October 1937, pp. 564-65.

51. *Ibid.*, October 1937, pp. 577-80.

52. *The Trans-Pacific*, June 30, 1938, p. 17. The Cabinet's program envisaged restrictions on domestic use of the following significant list of articles: steel, pig iron, gold, platinum, copper, brass, zinc, lead, tin, nickel, antimony, mercury, aluminum, asbestos, cotton, wool, pulp, paper, hemp, leather and hides, lumber, heavy oil, gasoline, crude rubber, tanning materials, industrial salt, benzol, toluol, carbonic acid, nitric acid, sodium nitrate, potassium, and rock phosphate.

53. *The Japan Times* (Tokyo), June 29, 1938.

54. *New York Times*, June 30, 1938.

55. *The Japan Weekly Chronicle* (Kobe), June 30, 1938, p. 806.

56. *Ibid.*, also *The Osaka Mainichi*, English edition, June 30, 1938.

57. *The Osaka Mainichi*, July 7, 1938.

ers. According to careful estimates, the three leading suppliers of Japan's war materials in 1937 were the United States (54.4 per cent), the British Empire (17.5 per cent), and the Netherlands Indies (7.4 per cent).⁵⁸ The United States sold Japan important amounts of the following materials: copper, 92.9 per cent; automobiles and parts, 91.2 per cent; petroleum and oil, 60.5 per cent; machinery and engines, 48.5 per cent; pig iron, 41.6 per cent; other iron (including steel), 59.7 per cent; and zinc, 20.4 per cent.⁵⁹

The major rôle played by the United States in this regard is underlined by figures recently made public by the Munitions Control Board. From April 30, 1937 to June 30, 1938, the Control Board issued licenses for \$13,795,000 worth of munitions to China and \$9,384,000 to Japan.⁶⁰ These amounts were for finished materials of war, or munitions in the strict sense of the term. When the purchases of raw materials essential to the prosecution of a war are examined, the picture is quite different. During 1937 Japan bought more than \$200,000,000 worth of such materials from the United States,⁶¹ and approximately \$73,000,000 worth during the first five months of 1938. On the other hand, China's total purchases from the United States, including non-military items, amounted to less than \$50,000,000 in 1937 and only about \$17,000,000 during the first five months of 1938. It should be noted that the Neutrality Act, as it now stands, does not cover raw materials, which constitute the great bulk of Japan's purchases in the American market. Japan's dependence on the United States is qualitative as well as quantitative. It would be difficult, if not impossible, for Japan to purchase elsewhere the machinery, machine tools, automobiles, high-grade steels, and certain fuels and lubricating oils which are available in the American market.⁶² In view of this special dependence on American war materials, Japan is peculiarly vulnerable to restrictive action undertaken either by the people or the government of the United States.

CONCLUSION

In the course of the prolonged internal struggle since 1931, Japan's reactionary elements have increasingly fought their way to a position of power

58. *Japan's Ability to Finance Purchase of War Materials*, cited, Part I, p. 10.

59. *Ibid.*, pp. 8-9.

60. State Department, *Press Releases*, July 21, 1938; also *New York Times*, July 24, 1938.

61. Japan's total purchases from the United States amounted to \$288,000,000 in 1937.

62. Cf. articles by Eliot Janeway in *Harpers Magazine*, July 1938, pp. 1-8; *Asia*, June 1938, pp. 338-40; and *Far Eastern Survey* (American Council, Institute of Pacific Relations), June 1, 1938, pp. 121-28.

in the Japanese state. This result is not accidental, nor primarily attributable to the current war. It is the outcome of a persistent drive which rapidly achieved success when important sections of Japanese "big business" were won over to the military-fascist program. Such a coalition was effected during 1936, and an accelerated rate of Japanese expansion—i.e., the war in China—was the result of the new political alignment in Japan. The trend toward dictatorship in Japan during recent years has placed severe restrictions on active and overt political opposition, more especially any form of opposition directed against continued prosecution of the war in China.

On the other hand, elements of a potential opposition still exist. The military-fascist coalition has not yet succeeded in establishing definitive control of the state power. Within the existing Cabinet, despite the strength of the Itagaki-Araki faction, General Ugaki and Premier Konoye continue to represent the more cautious and conservative groups in business and court circles. At present, however, these Ministers are no less committed to prosecuting the war to a successful conclusion than Itagaki or Araki, and they are equally intent on suppressing any popular revolt against the war. That a substratum of opposition exists among the Japanese people is more than likely. Anti-war sentiment was widespread during the significant transition period in 1936 and early 1937; even when the subsequent barrage of war propaganda is given due weight, it remains unlikely that this sentiment has completely melted away. The mounting toll of arrests in Japan supplies contrary evidence. Nevertheless, such popular disillusionment with the war as may exist does not yet appear to have reached threatening proportions.

The economic factor remains to be considered. It is undoubtedly the most serious threat to Japan's program of military conquest. Even so, there is no prospect that Japanese economic disabilities will prove decisive in the near future. Japan has tightened its belt. It possesses sufficient reserves of gold and war materials to continue the war for a protracted period, and will undoubtedly seek to force a conclusion during the coming months. China's new-found political unity and military strength, however, may be relied on to prevent a speedy Japanese victory and to forestall a compromise settlement on Japanese terms. Only one measure can alter the outlook for an indefinite prolongation of hostilities, continued wholesale devastation in China, and the growing risk that other powers may be drawn into the conflict. This is the refusal of Western powers, particularly the United States, to continue furnishing war supplies to Japan.